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EXCON

1. AS FORECAST SECTION II-C, EMBDESP 547, AND EMBDESP 957, FIRST DAY OF PARLIAMENT AFTER SUMMER RECESS SAW OPENING BLAST OPPOSITION PRESSURE STRATEGIC CONTROLS. IN REPLY TO CHANCELLOR THORNEYCROFT DURING ECONOMIC DEBATE, HAROLD WILSON, LABOUR "SHADOW" CHANCELLOR, CALLED, INTER ALIA, FOR GREATER HMG EFFORTS EXPAND EAST-WEST TRADE. USING ARGUMENTS PARALLEL THOSE FREQUENTLY GIVEN U.S. BY HMG IN FAVOR ITS "THERMO-NUCLEAR" LIST PROPOSAL. WILSON SAID 1954 LIST REVISION DID NOT GO FAR ENOUGH AND "IS STRATEGIC NONSENSE TODAY." TEXT IN EMBTEL 2758. ECONOMIC DEBATE CONTINUES TODAY SO POSSIBLE SOME GOVT. SPOKESMAN MAY REPLY THIS POINT (BUT SEE BELOW, PARA 6).

2. FONOFF DESK OFFICER YESTERDAY PASSED EDO COPY UK MEMO DATED OCT. 12 REPLYING US COPPER WIRE EMBARGO PROPOSAL. STRESSING NEED UK AND RHODESIA ECONOMIES RECEIPTS EXPORTS SOVBLOC AND RESTATING UK STRATEGIC EVALUATION AT VARIANCE WITH U.S., MEMO REJECTS U.S. PROPOSAL BUT MAKES CONCESSION KEEP FIRST HALF 1958 EXPORTS 30,000 TONS. MEMO ALSO CALLS FOR US/UK REVIEW COCOM LISTS IN LIGHT CHANGED "NATO STRATEGIC CONCEPT", I.E., LONG-AWAITED "THERMO-NUCLEAR" LIST PROPOSAL.

3. THOUGH

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3. THOUGH FONOFF WORKING LEVEL HAD NOT RECEIVED DETAILS WASHINGTON TALKS, UNDERSTOOD LLOYD/MACMILLAN MADE PROPOSALS SIMILAR VEIN TO PRESIDENT AND SECRETARY. ALSO UNDERSTOOD MEMO HANDED DEPUTY UNDER SECRETARY ECONOMIC AFFAIRS BY UK TREASURY REP, WASHINGTON.

4. EMBASSY UNABLE RECONCILE PRESENT UK POSITION WITH MACMILLAN'S LETTER BULGANIN (EMBDESP 632, SEPT. 11) STATING "UNTIL CONSIDERABLE EASING IN INTERNATIONAL TENSION, THERE CAN BE NO QUESTION WITHDRAWING THOSE (TRADE CONTROL) RESTRICTIONS" WHICH UK AND ALLIES APPLY IN OWN SECURITY INTEREST. IN LIGHT CONTINUING USSR PRESSURES, TENSIONS CERTAINLY DO NOT APPEAR TO HAVE DECREASED.

5. IN ABSENCE DETAILED GUIDANCE, EMBASSY UNABLE INTERPRET MEANING ANGLO/US "INTERDEPENDENCE" AS RELATED STRATEGIC TRADE CONTROL EFFORT AND WONDERS WHETHER U.S. INTENDS WORK OUT TRULY JOINT POLICY, STRATEGICALLY AND POLITICALLY ADEQUATE AND DEFENSIBLE BOTH CONGRESS AND COMMONS. OTHER US POLICY INTERESTS PERMITTING, EMBASSY BELIEVES FIRM LINE NECESSARY STOP EROSION COCOM/CHINCOM PRECIPITATED UK RELAXATION PRESSURE 1954 REINFORCED BY UK ATTACK COCOM/CHINCOM UNANIMITY RULE RE EXCEPTIONS CASES 1956 AND MAY 1957 "GO IT ALONE" BREAK ON CHINA DIFFERENTIAL.

6. RE PARLIAMENTARY DEFENSIBILITY PRESENT LEVEL CONTROLS, EMBASSY REALIZES TRADE CONTROLS UNPOPULAR HERE IN PRINCIPLE, BUT FEELS HMG HAS TO DATE MADE NO RPT NO REAL EFFORT SQUELCH LABOUR MP AND COMMERCIAL (E.G., SCOTT OF RUSSIAN SECTION, LONDON CHAMBER OF COMMERCE, SEE EMBDESP 957) CRITICS. WHILE HMG HAS MANY FENCES TO MEND AND HENCE HESITANT TAKE APPARENTLY UNPOPULAR LINE IN COMMONS, IT APPEARS HMG TRYING BUY (ALBEIT UNSUCCESSFULLY) DOMESTIC POLITICAL BENEFIT AND MARGINAL ECONOMIC GAIN AT RISK FREE WORLD SECURITY. AS WITH MILITARY MANPOWER CUTS STEMMING UK DEFENSE WHITE PAPER, CONTROL RELAXATION PRESSURE FROM UK SNOWBALLS AS OTHER PC'S FOLLOW BRITISH LEAD. THOUGH UK MINISTERS

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SENSITIVE OPPOSITION AND TORY BACK-BENCH JIBES BRITISH FOREIGN POLICY "MADE IN USA", EMBASSY BELIEVES BRITISH SHOULD REALIZE AS UK MAKES DECREASING CONTRIBUTION ACTUAL NATO COMBAT STRENGTH, UK HAS RESPONSIBILITY TAKE PROPORTIONATE INCREASING BURDEN "ECONOMIC" DEFENSE. AS BRITISH SAY, "YOU CAN'T HAVE IT BOTH WAYS!"

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